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SUBJECT: CORPORATE SOCIAL RESPONSIBILITY WITH CHINESE  
CHARACTERISTICS

11. (SBU) Laboff met with the China National Textile and Apparel Council (CNTAC), a quasi-government body, to discuss "CSC-9000T," the code of conduct CNTAC is trying to establish for China's textile and apparel industry. CSC-9000T is intended to cover the entire supply chain, not just export-oriented factories. It is based on Chinese law and will focus on training for Chinese companies to improve compliance. CSC-9000T will not involve accreditation or third-party monitoring. Corporate Social Responsibility (CSR) executives from several American companies told Laboff that CSC-9000T is in line with the trend in the CSR community away from monitoring and toward capacity building. However, some of these executives doubt whether CSC-9000T will have sufficient credibility to be useful to buyers if it does not have accreditation or third-party monitoring, or deal with internationally recognized labor standards, including the freedom of association and collective bargaining rights. Others said CSC-9000T's biggest challenge will simply be to show that its capacity building program can noticeably improve factory conditions across China's enormous apparel industry, a big task for a small and inexperienced organization. CNTAC said it would welcome USG assistance. End summary.

12. (U) Laboff visited CNTAC on 16 October 2006 to discuss CSC-9000T, its code of conduct for garment manufacturers and their supply chains. CNTAC Vice-President Sun Ruizhe said CNTAC's goal is to develop a robust, voluntary code for the industry, based on Chinese laws and regulations, which will not involve accreditation or invasive audits. CSC-9000T will apply to the entire supply chain, not just major exporters. Chinese companies are already working with their suppliers to set up the Responsible Supply Chain Association (RSCA) to work with CSC-9000T. CNTAC got help from the ILO, the Fair Labor Association (FLA), United Nations Industrial Development Organization, the EU, and several well-known brands in designing and promoting its code and training programs, and intends to remain engaged with these partners as it refines

its program. Sun said CNTAC would welcome assistance from the United States Government as well.

¶3. (U) CSC-9000T is currently being implemented on a pilot basis in 10 factories to demonstrate feasibility. CNTAC hopes to expand the program to 100 large manufacturers and then 1000 small- and medium-sized factories over the next three years. Reflecting Chinese law, the CSC-9000T code focuses predominately on working conditions, and makes virtually no reference to freedom of association or collective bargaining rights.

¶4. (U) Impetus for the development of CSC-9000T comes from both the Chinese Government and Chinese industry. Implementation of the program is included in China's 11th five-year plan. CNTAC itself is a government-supervised industry association (the successor to the Ministry of Textiles) and receives budgetary support from the Central Government. However, CNTAC intends for CSC-9000T to be self-funding, through training program fees. Sun said the Chinese Government recognizes that CSR is a "business issue". At the same time CNTAC also wants to reduce the burden on Chinese suppliers who now must contend with multiple codes of conduct and auditing requirements from various buyers. Sun said Chinese suppliers are unhappy with existing codes and auditing programs because they do not provide solutions to the problems they uncover, and because they do not afford any real protection to a brand's or supplier's reputation.

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¶5. (SBU) Western buyers have varying views of CSC-9000T. CSR executives from Disney and Hewlett Packard (HP) told Laboff that CSC-9000T is probably the first of several standardized codes of conduct the Government will attempt to promote for various industries. Disney and HP consider the industry-wide code a positive approach that could help bring order, better compliance and better cooperation on CSR among China's many suppliers. Disney believes that without accreditation or some form of third-party monitoring, most buyers will probably not view CSC-9000T as an acceptable substitute for their own codes. Disney and HP both also said that CSC-9000T does not address labor-management relations, and that buyers were still looking for "parallel mechanisms" to prevent and settle labor disputes in suppliers' factories. (The HP executive noted that in the city of Shenzhen, the local labor bureau told her that dispute settlement was a company responsibility because government agencies did not have the resources to do anything.) A CSR executive from Nike told Laboff that third-party monitoring is not as important as bringing about changes in the factory. An Adidas executive agreed and noted that CSC-9000T took its lead from the Fair Labor Association and some of the big buyers who are moving away from monitoring and toward capacity building. Adidas said CSC-9000T's biggest challenge will be to find enough qualified staff to carry out effective capacity building for its subscribers. CSC-9000T may just be too small and too shallow to make a difference, he said. As for credibility with the labor rights community, the Adidas executive added that CSC-9000T's reliance on Chinese law rather than internationally recognized labor standards, will probably be a bigger obstacle than the lack of third-party monitoring.

RANDT